

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333-0001

AMC REGULATION
NO. 702-9

5 February 1990

Product Assurance

CONTRACTOR PERFORMANCE CERTIFICATION PROGRAM
(CP)2

Local supplementation of this regulation is permitted. Copies of all supplements will be furnished to the Commander, Headquarters (HQ) Army Materiel Command (AMC), (AMCQA-P), Alexandria, VA 22333-0001.

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1. Purpose. This regulation establishes a strategy and procedures, entitled the Contractor Performance Certification Program ((CP)2), that will be used to help assure that quality goods and services are acquired in a cost effective manner by the U.S. AMC. This strategy emphasizes the need for coordinated quality and production management planning early in the acquisition cycle by the procuring activity, the Contract Administration Services (CAS) and its contractors. First, contract quality, engineering, and production performance requirements are established and accomplished. Secondly, by voluntary consent, enhanced quality performance requirements are established, accomplished and the contractor is certified. As a result, the level of government oversight at that facility can be reviewed for reallocation of resources. The (CP)2 recognizes those contractors that consistently deliver quality products, provide evidence of process control, employ preventative/proactive audit procedures, and demonstrate aggressive and continuous efforts to improve quality and productivity.

2. Applicability. This regulation applies to HQ AMC; major subordinate commands (MSC), including subordinate installations and activities; and separate installations and activities reporting directly to HQ AMC. Cooperation with Army program executive offices (PEO) and program/project Management offices (PMO) and CAS is required to implement terms of this regulation.

*This regulation supersedes AMC-R 702-9, 27 June 1988.

3. Scope. This regulation is applicable to all major system acquisitions as defined in DODD 5000.1 and procurements designated as top priority for each MSC. MSCs are encouraged to apply this regulation to other appropriate acquisitions.

4. General. a. It is a Department of Defense (DOD) policy that contractors will be held responsible for the quality of their products and services.

b. Contractors will also be held responsible for the quality of products and services furnished by their suppliers, and government quality assurance (QA) efforts at supplier facilities will be held to an absolute minimum (DODD 4155.1).

c. In implementation of this Army policy, this regulation emphasizes the need for up-front coordinated QA and production planning by the MSCs and their contractors. This policy stresses--

(1) The recognition of contractor quality and production performance history, planning, and overall management in the source selection process.

(2) A multidisciplined team approach to quality and production management throughout the acquisition cycle by the MSCs and their contractors. Disciplined management will begin prior to award of contract or as soon thereafter as possible.

d. Top management is responsible for the implementation of this regulation. Top management's commitment and constancy of purpose is essential.

e. This regulation recognizes the crucial role of the cognizant CAS organization to effectively implement a coordinated quality/production management strategy at a contractor's facility.

f. To emphasize the importance of Statistical Process Control (SPC), only those contractors' quality and manufacturing programs that include SPC will be considered for certification.

g. Contractors certified under (CP)2 may advertise their achievement and may cite certification in applications for the Malcolm Baldrige National Quality Award. Advertisements should specify limits of certification, e.g., facility or corporate division.

5. Objectives. a. This regulation establishes procedures that emphasize that defense contractors are responsible for the quality of their products.

b. Senior government acquisition managers and their industry counterparts must jointly recognize that--

(1) Product quality will be of equal importance to schedule and cost and it will not be subordinated.

(2) Coordinated quality/production planning and management must be initiated in the earliest stages and effectively integrated into the total acquisition process. Disciplined approach to quality/production management should start prior to contract award or as soon thereafter as possible.

(3) Management has the responsibility for achieving quality products and services and must be involved throughout the acquisition cycle.

(4) Improved quality translates into reduced costs for all involved.

(5) Continuous improvement fosters a dynamic approach to producing defect-free material.

(6) Customer satisfaction drives these efforts.

6. Responsibilities. a. The Deputy Chief of Staff for Product Assurance and Testing (DCS/PA&T), HQ AMC, is responsible for the establishment of the program and the implementation of procedures in this regulation. DCS/PA&T is also responsible for coordination of this regulation with the Defense Logistics Agency (DLA).

b. Each MSC Commander is responsible for the establishment and on-going performance of a (CP)2 program consistent with this regulation but tailored to the specific MSC requirements.

c. While MSCs, Program Managers (PM), PEOs, and their contractor counterparts are jointly responsible for managing the performance of (CP)2 programs, the support of and coordination with the cognizant CAS activities throughout the program are essential.

7. (CP)2 Procedures. a. (CP)2 certification recognizes positive, competent contractors who consistently meet the terms of their contract and deliver quality products and services. First, the government must establish sound quality, engineering, and production requirements in the contract and assure that the contractor meets these requirements. Up-front, multidisciplined planning and open lines of communication encourage smart, cooperative quality and production management. Certification effort will begin upon award of the contract or as soon thereafter as possible. MSCs induct interested contractors into (CP)2, evaluate conformance to milestones as agreed upon in the (CP)2 plan and certify when earned. Consistent with improvements in contractor performance, MSC will reduce oversight requirements, where feasible, to permit the reallocation of resources. After certification, MSCs and CAS track performance and continuous improvement.

b. Identify potential (CP)2 candidates. All systems designated as major by the Secretary of Defense, per DODD 5000-1, will be considered as candidates for (CP)2. MSC's PA&T will also review critical research and development and production buys with the following characteristics and identify candidates from MSC's top priority procurements: (1) potential multiyear awards; (2) sole-source awards; (3) dollar value in excess of \$1 million per fiscal year;

(4) critical buy due to complexity, volume, or substantial resource allocation; (5) significant congressional/ Secretary of Defense interest. Nominate contractors based upon internal criteria/system criticality and obtain concurrence from PM/PEO/Weapon System Manager (WSM) to proceed. PA&T, working in concert with the PM, will be proactive in inducing major system and top priority candidates to participate in (CP)2.

c. MSC's PA&T will identify other MSCs with contracts in nominated facility and request their participation in joint certification. MSCs will participate in joint certification unless strong objective evidence supports their decision to decline. Such evidence supporting nonparticipation will be provided to AMC HQ for review and mediation. In the event that one MSC cannot participate due to unique commodity requirements, other MSCs are authorized to continue the certification effort. MSCs pursuing joint certification will operate as a team in all aspects of certification. Certification will be reciprocal; MSCs may recognize certification status granted by other MSCs.

d. MSC's PA&T will coordinate nomination with PM/PEO/WSM, Production, Procurement, Engineering, Legal and the cognizant CAS. Teaming with representatives from these (and other applicable) functional elements throughout the certification process is recommended. Notify contractor in writing of his selection and provide information package. Formally brief contractor at his request.

e. An MSC/CAS team will perform baseline audit to determine eligibility, identify areas of concern and guide formulation of (CP)2 plan. CAS will be an integral partner in formulating the (CP)2 plan to assure integration of both CAS and MSC requirements.

f. If determined ineligible by the baseline audit, MSC PA&T will inform the contractor's top management of his contractual obligation to implement management controls, upgrade systemic programs and deliver hardware and software per specific contract clauses. MSC's PA&T, as a course of normal Product Quality Manager (PQM) duties, will take an up-front approach to quality management and aggressively monitor the contractor's get-well plan to meet contractual baseline requirements for (CP)2. Of course, the onus is on the contractor to perform.

g. If determined eligible by the baseline audit, contractor is formally invited to participate in (CP)2. Upon his consent, contractor and government develop and finalize (CP)2 plan. Quality indicators and milestones are defined in the plan. Milestones are accomplishment driven, not time-driven and parties are under no obligation to perform per artificial timetables.

h. MSC (or MSCs in case of joint certification), CAS and contractor sign formal document to participate in (CP)2 program.

i. Contractor implements plan and MSC/CAS team tracks performance. Team meets with contractor as needed to monitor progress and clarify requirements.

j. Prior to certification, all parties will agree upon a continuous improvement plan to provide direction for postcertification activities. MSC and CAS should discuss reallocation of resources, as applicable.

k. MSC grants certification when all quality indicators are met and the MSC/CAS is confident in the contractor's ability to produce a quality product with limited government oversight. Upon certification, MSC and CAS will reduce oversight requirements where feasible. Allocation of government resources is contingent upon contractor's performance.

l. Performance tracking by CAS's daily monitoring of the in-plant QA function, and by MSC teams' scheduled reviews or unannounced audits, assures that contractor complies with all terms of (CP)2 plan, consistently delivers quality product, and effects continuous improvement.

m. Certification status will be suspended when the contractor fails to perform per the terms of the (CP)2 plan. Individual instances of breaching limits or loss of control will not be the criteria for suspension. Since control problems may occur, the contractor's ability and willingness to restore and maintain control are critical factors in retaining certification status. The contractor's certification status is not threatened unless repeat instances of loss of control are formally documented, elevated to top management, and inadequately resolved. CAS and MSC have the prerogative to increase oversight as dictated by contractor performance. Contractor can elect to withdraw from program at any time.

8. Performance elements. Contractor performance measures and associated milestones are to be tailored to the individual programs/contracts. However, the measures against which contractor performance is judged should take into account such factors as--

a. Evidence of having consistently produced and delivered supplies or services conforming to contract requirements.

b. Quality system in full compliance to Mil-Q-9858A/ Mil-I-45208A.

c. Effective management controls as dictated by the contract (e.g., configuration management, just-in-time inventory management, safety, variability reduction, vendor control, warranty, etc.).

d. Design control in Research and Development (R&D) buys (e.g., producibility engineering, concurrent engineering, statistical design of experiments, manufacturing technology, design of tools, and built-in quality controls and diagnostic measures, etc.).

e. Evidence of an effective SPC system for both procured and manufactured material.

f. An aggressive and continuous effort to improve quality and productivity.

g. Establishment of a satisfactory support system responsible for coordinating user feedback.

h. Acceptable system performance and safety levels in the field.

i. Incorporation of a total cost effective audit system to track performance against established milestones.

j. Corporate commitment to customer satisfaction and continuous improvement.

9. Summary. a. MSC consideration and encouragement of (CP)2 on new major systems and top priority procurements, as evidenced by formal communication to the Chief Executive Officer (CEO), is mandatory. While certification is the target, it must be earned and will not always be achieved. MSCs will pursue (CP)2 implementation on all major system contracts, MSC's top priority procurements, and on selected other contracts.

b. All programs within the scope of this regulation will be managed by knowledgeable product quality managers and production engineers.

c. MSCs are encouraged to share successful (CP)2 planning and implementation efforts as a means to benefit from "lessons learned" and achieve a new, higher level of quality throughout AMC and its contractors in minimum time with reduced costs.

d. The (CP)2 program will provide a comprehensive and coordinated commitment to quality/productivity by both government and industry.

10. Referenced publications.

a. Mil-Q-9858A, Quality Program Requirements.

b. Mil-I-45208A, Inspection System Requirements.

c. DODD 4155.1, Quality Assurance.

d. DOD 5000.1, Major and Non-Major Defense Program Acquisition.

e. DOD 4245.7(M), Transition from Development to Production.

f. DOD-STD 2168, Defense System Software Quality Assurance Program.

The proponent of this regulation is the United States Army Materiel Command. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Commander, HQ AMC, ATTN: AMCQA-P, 5001 Eisenhower Avenue, Alexandria, VA 22333-0001.

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